FARM CREDIT ADMINISTRATION
Washington, D. C.

SUMMARY OF CASES

RELATING TO

FARMERS' COOPERATIVE ASSOCIATIONS

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Prepared under the direction of
L. S. Hulbert
Assistant General Counsel
Farm Credit Administration

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COOPERATIVE RESEARCH AND SERVICE DIVISION

Summary No. 1

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UNAUTHORIZED BUSINESS MADE ASSOCIATION LIABLE FOR LICENSE TAXES

Rockingham Cooperative Farm Bureau, Inc. was incorporated under the Virginia Cooperative Marketing Act. It is engaged in handling various commodities at its place of business in Harrisonburg, Virginia.

That city levied a license tax against the association for the year 1937 in the amount of $1,302.05, based apparently upon the entire amount of business done by the association during that year. The association then filed a suit against the city asking to be relieved of the license tax. The association contended that inasmuch as the statute under which it was incorporated provided that "each association organized hereunder shall pay an annual license fee of ten dollars ($10), but shall be exempt from all license taxes, or taxes upon capital stock or reserve funds held by it," the city could not impose a license tax upon it.

It appeared that the association had been selling, among others, the following articles of merchandise: "Gasoline, oil, hardware - heavy and light, salt, dry goods, groceries, crockery, glassware, boots, shoes, toilet articles, fresh fruits, grapes, oranges, galvanized buckets and tubs, dress goods, cottons, men's shirts and hats, women's ready-to-wear clothes, hosiery, candy, cakes, cooking utensils, cosmetics, drugs and patent medicines, pills, aspirin, mineral oils, cough syrup, cathartics, notions, stoves, bicycles, lighting fixtures, washing machines, radios, floor covering, carpets, mattings, roofing, coal, paint, automobile tires and tubes."

The trial court denied the association relief, and it appealed the case to the Supreme Court of Appeals of Virginia. The City of Harrisonburg contended that inasmuch as the association was carrying on a general merchandise business it was not exempt from the payment of license taxes and contended that the statute under which the association was incorporated only authorized associations formed thereunder to handle agricultural supplies, and the court agreed with this view. In doing so the court pointed out that the statute under which the association was incorporated authorized the incorporation thereunder of associations for "supplying to its members of machinery, equipment, or supplies." It emphasized that the declaration of policy in the statute, after stating advantages expected to be derived therefrom in the handling and marketing of agricultural products cooperatively, recited that the statute was enacted "to obtain these said benefits in the distribution of supplies purchased by agricultural producers." This statute declared that the term "'supplies' shall include seed, feed, fertilizer, equipment and other products used in the production of crops and livestock and in the operation of farms and farm houses."

The association urged that the definition of supplies as given in the statute included all the articles that were handled by it but the court said "that the 'supplies' which can be purchased for sale under the authority of the act must be confined to things which have a peculiar connection with agricultural production * * * in contradistinction to the conduct of other businesses."

The appellate court approvingly quoted the following from the opinion of the trial court: "It is the authorized business of the association to which the exemption attaches and not to the association as such, independent of the character of business carried on by it. Therefore, if and when an association goes beyond its powers and deals in a class of merchandise not authorized by the Act, it cannot escape assessability and should properly be taxed as a general merchant, to the extent, at least, of its unauthorized sales"; and the trial and appellate court held that the association was not authorized to handle any of the articles of merchandise enumerated above.

Apparently the issue was not raised in the case of whether the association was entitled to exemption with respect to the authorized business which it had transacted but the appellate court affirmed the judgment of the trial court covering the entire assessment against the association for the year 1937. Rockingham Cooperative Farm Bureau, Inc., v. City of Harrisonburg, _____ Va. ____, 198 S. E. 908, decided October 7, 1938.

ASSOCIATION EXEMPT FROM MUNICIPAL TAX

A statute of the State of Georgia provided that:

> "No municipal corporation shall levy or assess a tax * * * on any agricultural products raised in this State, or the sales thereof * * * until after the expiration of three months from the time of their introduction into said corporations."

An ordinance of the City of Atlanta purported to provide for "a specific tax on the gross sales of such products." An attempt was made to levy a tax on accounts receivable for money due to a cooperative association arising from the sale of the dairy products of its members. The association was incorporated under the Cooperative Marketing Act of the State of Georgia. This statute defined agricultural products as including dairy products and the court held that the association

> "was entitled to an application of this legislative construction of the term 'agricultural products' in determining whether such dairy products were exempt under a state statute exempting 'agricultural products' and their 'sales' from municipal taxation."

The court further said:

> "In considering its right to such an exemption, where the 'dairy products' of its members were produced in the state and immediately marketed and sold by the association on open account to purchasers, the association occupied the status of its individual members as to such production and sales. See Yakima Fruit Growers' Association v. Henneford, 182 Wash. 437, 47 P. 2d 831, 100 A.L.R. 435; City of Owensboro v. Dark Tobacco Growers' Association, 222 Ky. 164, 300 S.W. 350."

The court also said:

> "An attempted levy by a municipal corporation of an ad valorem tax on accounts receivable for moneys due to a cooperative marketing agency, such as described, from the sales of the dairy products of its members, is in effect a tax on the gross sales of such products, and falls within the inhibition of the Code."

Georgia Milk Producers Confederation v. City of Atlanta et al., ____ Ga. _____, 194 S.E. 181, decided September 15, 1937.

PROCESSING MADE ASSOCIATION SUBJECT TO SALES TAX

Sanitary Milk & Ice Cream Company, a cooperative association of West Virginia claimed exemption from the gross sales tax and declined to make a report of its gross sales for the year 1935. The tax commissioner of the state then assessed the association $816.50. The sheriff of the county in which the association had its principal office then seized personal property of the association, which then filed a suit and enjoined the collection of the tax, whereupon the state officials appealed the case to the Supreme Court of Appeals of West Virginia.

The statute providing for the gross sales tax imposed such tax upon "every person engaging or continuing within this state in the business of selling any tangible property whatsoever, real or personal, except sales by any person engaging or continuing in the business of horticulture, agriculture or grazing, or of selling stocks, bonds or other evidences of indebtedness." The statute further provided that it was not applicable to "societies, organizations and associations organized and operated for the exclusive benefit of their members and not for profit."

The court said "the pointed inquiry on this appeal is whether the plaintiff comes within either of the quoted exceptions."

The cooperative act under which the association was incorporated provided that "such association shall be deemed nonprofit." The court stated that the verb "to deem" is ordinarily defined "to think" and that the quotation from the statute did not conclusively establish that an association incorporated under the act had "the standing of a non-profit organization, but that it shall have that prima facie rating." The court further said "on the record before us it would seem that the plaintiff's prima facie status of being a nonprofit association is probably overcome by the facts, in this, that through the processing of dairy products and the marketing of commodities produced therefrom, the association operates primarily for the purpose of deriving for its members a greater return than they could obtain from the raw products."

In regard to this conclusion it is submitted that it suggests an incorrect understanding of the nature of a cooperative association. Clearly, insofar as it has any bearing on the matter, benefits derived from a cooperative by its members in the form of increased returns on their product are evidence of its nonprofit character. The fundamental objective of a cooperative association is to increase returns to its members and it cannot be when it meets with success that this means the association is a profit organization. It is the members who are profiting and not the association.

The conclusion of the court is inconsistent with the holding in Mutual Orange Distributors v. Black (Mo. App.), 287 S. W. 846, in which a corporation was held not to be one for "pecuniary profit" within the meaning of a statutory provision similar to that in question and in principle the holding is contrary to Ex Parte Baldwin County Producers' Corporation, 203 Ala. 345, 83 So. 69; Tobacco Growers Co-operative Association v. Jones, 185 N. C. 265, 117 S. E. 174, 33 A.L.R. 231; and other like cases.

The cooperative act under which the West Virginia association was incorporated provided that "any exemptions whatsoever under any and all existing laws applying to agricultural products in the possession or under the control of the individual producer shall apply similarly and completely to such products delivered by its former* members, in the possession or under the control of the association."

It was contended by the association that inasmuch as the gross sales tax statute was not applicable to sales made by farmers the provision quoted above from the cooperative act operated to exempt an association of farmers from the payment of the sales tax. The court, while stating that the provision in the cooperative act would be effective to exempt an association that was simply engaged in the marketing of the farm products of its members in their

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natural state, held that an association was not exempt if it was engaged in the processing of products.

In this connection, the court said in part:

> "In respect to tax exemptions, such an association, operating merely as a marketing instrumentality, being in effect a group of producers of farm products, stands on the same footing as an individual producer of such products. But does such exemption extend to commodities which are processed from farm products"?
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> "The scope of the authorized business of the plaintiff transcends by far the marketing of farm products as such. Though not at present exercising its full corporate authority, it is 'engaged in the manufacturing and processing and selling of dairy products produced by its stockholders and others.' If, through a co-operative association, a group of milk producers, without paying a privilege tax, may operate an ice cream or cheese factory, why may not producers of beef operate in like manner an abattoir, producers of wheat a flour mill, and producers of lumber a furniture factory?
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> "In support of the position which it seeks to maintain herein, the plaintiff relies strongly on the case of Yakima Fruit Growers' Association v. Henneford, 182 Wash. 437, 47 P. (2d) 831, 100 A.L.R. 435. There, an incorporated co-operative association engaged in the marketing of fruit produced by its members was allowed the same benefit of statutory exemptions as would have been enjoyed by the individuals if they had directly marketed their fruit. A sound decision, but, note, there was no processing which changed the product into a different commodity. We think that the Washington case, rather than affording support for the plaintiff's position, illustrates the narrow limits within which such association may claim the exemptions which individual producers may claim.
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> "We are of opinion that under the last quoted provision of the co-operative associations statute (Code, 19-4-20), the plaintiff, as an incorporated association of individual producers of dairy products, would be entitled to exemption from the gross sales tax the same as an individual would be entitled under the quoted exemption (Code, 11-13-2(c), as amended by Acts 1935, c.86, but that the association is conducting a business of wide scope beyond the mere marketing of farm products, and therefore Code, 19-4-20 is not applicable." Sanitary Milk and Ice Cream Company v. Hickman, ___ W. Va. ___, 193 S. E. 553, decided November 2, 1937.

ASSOCIATION SUBJECT TO PRIVILEGE TAX

The Farmers Oil Company of Clovis, New Mexico, brought suit against the Tax Commission of that state to recover certain taxes paid under protest. It appeared that although neither its articles of incorporation or bylaws confined its dealings to its own members, as a practical matter it dealt only with members. The association lost in the trial court and appealed the case to the Supreme Court of New Mexico.

The tax in question was a privilege tax which was measured by the amount or volume of business done within the State of New Mexico.

The association contended that it was not engaged in business as that term was defined by the statute and that it was exempt by reason of a provision in the statute exempting "the business of societies and other organizations not operated for gain or profit."

The statute provided that:

> "The term 'business' when used in this Act shall include all activities or acts engaged in (personal, professional, and corporate) or caused to be engaged in with the object of gain, benefit or advantage either direct or indirect."

In affirming the decision of the trial court holding the association subject to the taxes, the Supreme Court of New Mexico said, in part:

> "The question for decision may be held within a narrow compass. Is the plaintiff engaged in business with the object of gain, benefit, or advantage, either direct or indirect? If so, it must pay the tax unless forsooth it is a 'society or organization not operated for gain or profit.' These are the only two grounds of exemption claimed in the protest filed and they are the only two urged here. The definition of 'business' in Laws 1935, c. 73, § 103 (f), controlling upon the first claim of exemption is just about as broad as the English language can make it. It includes 'all activities or acts engaged in (personal, professional, and corporate) * * * with the object of gain, benefit or advantage either direct or indirect.'
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> "While ordinarily the major purpose of corporate organization and management is profit to the corporation as an entity in the first instance, we know from experience and observation that the profit earned is destined for the stockholders in the form of dividends. In fine, therefore, the ordinary corporation organizes and engages in business for the pecuniary

advantage of its stockholders. Do plaintiff's organization and activities appear to be for some other purpose? We think not.

"The mere fact that plaintiff makes the volume of purchases from it by members, rather than the number of shares owned, the measure of their gain in no way alters the fact that it, as well as its members, receives benefit and advantage in thus fulfilling the very purpose of its corporate existence.

"The bylaws contemplate the creation of a reserve fund subject to use in the purchase of new equipment; also, when authorized by the board of directors, in business expansion. Certainly, 'business expansion' thus accomplished represents gain or profit to the corporation itself, direct, immediate, and pecuniary and, likewise, to its stockholders upon dissolution."

The court specifically stated that the association did not come within the exemption of "societies and other organizations not operated for gain or profit," and stated:

"This exemption, as suggested by the Attorney General, evidently has reference to the state's policy of exempting, in a measure, religious, benevolent, and eleemosynary organizations. * * *

"Other authorities lending support to the conclusion that plaintiff is engaged in business with the object of gain, benefit or advantage, are State ex rel. Dawson v. Sessions, 95 Kan. 272, 147 P. 789; Appeal of Beaver County Co-op. Ass'n, 118 Pa. Super. 305, 180 A. 98; Rye Country Day School v. Lynch, 239 App. Div. 614, 269 N.Y.S. 761; Union Oil Associates v. Johnson, 2 Cal. 2d 727, 43 P. 2d 291, 98 A.L.R. 1499."

Farmers Oil Co., Inc., v. State Tax Commission et al., 41 N.M. 693, 73 P. 2d 816, decided November 15, 1937. For a case in which a similar conclusion was reached see Yakima Fruit Growers' Ass'n v. Henneford, 187 Wash. 252, 60 P. 2d 62.

ASSOCIATION NOT EXEMPT FROM GROSS INCOME TAXES

In Indiana a cooperative association instituted proceedings under the Uniform Declaratory Judgment Act presenting the question of whether the association was exempt from the Gross Income Tax Statute of that State. The statute provided that the tax should be imposed upon the "entire gross income" of those subject thereto. There were excepted from the provisions of the Act "members of 'agricultural and horticultural societies * * * not operated for profit, * * * Provided, however, That this exception shall apply only to companies, organizations, corporations and/or societies named in this subsection which are not organized for profit, and no part of

the income of which inures to the benefit of any stockholder or other private individual.'" In holding that the cooperative association was not exempt the court said:

> "The gain made here was made in the conduct of a purely commercial business which consisted of making purchases and sales. The difference in the cost of the appellee and its sale price to the purchaser was a profit, gain, or income and this inured to the benefit of the patrons of appellee in the form of $5 common stock certificates when the amount of business done by appellee and patron warranted such margin of profit. The undisputed evidence was that this stock certificate had some value, consequently it was a gain or profit or income inuring to the benefit of the stockholder and other private individuals as well. The appellee contends that this was a saving to the stockholders of the appellee and should not be classed as income. But this enhanced their total wealth, and whether it be called savings, gain, income, or by any other name, it still renders the appellee liable to the tax intended by the Legislature."

The court further said:

> "The fact alone that a part of the income inures to the benefit of private individuals not members of the association is sufficient in and of itself to prevent the exemption from extending to the appellee."

Storen et al v. Jasper County Farm Bureau Cooperative Association, ____ Ind. ____, 2 N. E. (2d) 432, decided June 5, 1936.

ASSOCIATION MAY NOT PREFER STOCKHOLDER CREDITORS

In the case of Clark v. Pargeter et al, 52 P. (2d) 617, decided by the Supreme Court of Kansas, it appeared that on June 1, 1930, the Pretty Prairie Co-operative Grain Company had outstanding stock in the amount of $4,800.00, which had been subscribed and paid for by thirty-six stockholders. "Apparently the business had been conducted at a loss, for about the latter date it was determined to get additional capital, but before seeking it that the impaired capital should be made good." To permit the sale of the new additional stock at par and to protect the purchasers thereof twenty-four of the stockholders "executed to the order of the company their promissory note, dated June 1, 1930, due 30 days after date, for the sum of $13,868.44. At the same time, a contract was made between the company, party of the first part, and the 24 signers, parties of the second part, a 'whereas' clause reciting second parties executed the notes as accomodation makers, and the contractual clause being as follows: 'And we and each of us, do further

authorize and instruct the officers of the said Pretty Prairie Co-operative Grain Co. to retain the net profits accruing and earned by said company belonging to each of us and apply the same in payment of the said promissory note hereinbefore described, in whole if our share of the net profits be sufficient to pay and liquidate said note, and if not, that they be applied to the part payment of said note, and if said net profits be more than sufficient to pay said note in full, that the remaining portion thereof shall be apportioned by the officers of said company to each of us in accordance with our respective shares owned by each of us.'" Treasury stock was thereafter sold at par. Some payments were made on the note but the association apparently did not prosper and the court found that for some time prior to May 12, 1933 the association "was in fact insolvent."

On May 5, 1932, at a special meeting of the stockholders, it was voted to apply a so-called surplus of $3,388.37 on the note and on April 12, 1933 "the company, after giving credit for the 'surplus' of $3,388.37, assigned the note to the defendants who were all stockholders and creditors of the company."

On June 7, 1933 the company was declared insolvent and a receiver was appointed. "The receiver brought this action to set aside the credit given on the note and the assignment of it, and to recover possession of the note." The court said: "The question presented by the appeal is this: Where stockholders of a corporation, who have paid their original stock subscription in full, deliver to the corporation their note for the purpose of making good impaired capital so that the company may continue in business and sell treasury stock at par, and the note is thereafter carried as an asset and stock is sold, and thereafter some of the makers of the note and other stockholders and other persons became creditors of the company, which becomes insolvent, does the note become an asset of the corporation in the nature of a trust fund for the benefit of all the creditors, or may the corporation assign the note to 10 stockholders, 8 of whom are makers of the note, in satisfaction of claims totaling the balance said to be due upon the note"?

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"it is undisputed that the note, although not given for original purchase of stock, was given to make good an impaired capital, it was thereafter carried as an asset of the company, other treasury stock was sold on the assumption the impairment of the capital had been made good, and the note was capital of the company, and a part of the fund to which creditors were entitled to look for satisfaction of their claims."

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"In view of the fact the trust fund doctrine has been recognized as the law of this state for over 40 years, it seems the better rule to follow that when the corporation is insolvent, or in a failing condition,

it should not be permitted to so deal with its shareholders who are creditors that they receive a preferential right to the assets of the corporation to the detriment of the general creditors. They should receive their dues ratably with other general creditors."

In answer to the argument that the rule forbidding directors of a corporation to prefer themselves should not be held to apply to stockholders, the court pointed out that in this case the record showed that "The stockholders were actually directing the conduct of the company's business to a considerable extent." The court further said: "If it be assumed a corporation may prefer a stockholder creditor, there is another reason why appellants here should not prevail. At the time the note was assigned, the assets of the company consisted of the elevator, which was within a few days conveyed to the mortgagee in satisfaction of the debt, cash, accounts and notes receivable and inventories, totaling $2,554.93 as of May 31, 1933, stock of a co-operative commission company carried at $1,626.77, and the note in question. The effect of the assignment was to transfer the note, or substantially all of the assets of the company, to the assignees. This was not authorized or approved by the vote of the holders of not less than four-fifths in amount of the outstanding shares of capital stock, in the manner required by Laws 1931, c. 154 § 1, R.S. 1933 Supp., 17-620a. See First National Bank v. Paramount Transit Co., 139 Kan. 808, 33 P. (2d) 300."

(In the Kansas case just referred to the court held that the statute forbidding the sale of substantially all of the assets of a corporation, unless authorized or approved by a vote of the holders of not less than four-fifths in amount of the outstanding shares of capital stock, was applicable to a mortgage of substantially all of the assets of the corporation in question. This holding is in keeping with a similar holding involving a Massachusetts statute in the case of McDonald v. First National Bank, 70 F. (2d) 69).

The court in the instant case also pointed out that "The undisputed evidence is that the assignees of the note took the same with notice of its character, and gave nothing for it beyond the discharge of a pre-existing debt. Under such circumstances, the receiver as trustee was entitled to possession."

In answer to the argument that the note was void because it was given for stock and did not contain a statement required by statute, namely, "Given for shares in _____," the court pointed out that this statute was not applicable to cooperative associations which were exempt therefrom.

ASSESSMENTS OF MILK ASSOCIATION UPHELD

On March 4, 1937, the Supreme Court of Errors of Connecticut decided the case of Connecticut Milk Producers Association v. Brock-Hall Dairy Company, Inc., et al., 191 A. 326. In this case the plaintiff,

a milk bargaining association, brought suit against the Dairy Company for the purpose of recovering assessments which the association had made against its producer-members and which assessments had been retained by the Dairy Company in settling with members of the association from whom the Dairy Company received its supply of milk. The Dairy Company "pleaded its willingness to pay it (the assessments) either to the plaintiff or to a group of some two hundred persons, represented by a committee of five, who were cited in as additional defendants" and who were producer-members of the association who had delivered their milk to the Dairy Company.

It appears that the association functioned on a "dealer pool" basis. "The milk delivered by each member was not dealt with as an individual unit, but that of all the members delivering to a particular dealer was treated in common. Under the system in use before April 1, 1934, the result of that was that the amount of return to each producer was directly affected by the total amount of milk delivered to the dealer by all producers from whom he accepted milk; the acceptance of the milk which later became 'homeless' was, on the one hand, to decrease the return to all producers delivering to the dealer who received it, and, on the other, to provide a market for that milk." The association, under its contracts, was authorized to "furnish the dealer with statement of all fees, dues, and assessments due and unpaid to the association from members delivering milk to it, and upon receipt of such statement the dealer was to deduct the total amount shown to be due from each producer from the payment thereafter becoming due to him and remit the money to the association."

It appears that prior to 1934 the association was faced with the necessity of disposing of a larger quantity of milk than was salable at fluid milk prices. The smaller dealers refused to accept more milk than they could sell as fluid milk but the larger operators who were equipped to process the milk into butter, cheese, ice cream and like products, at the instance of the association, agreed to take unlimited quantities of milk with the understanding that they would pay the fluid milk price for all milk sold as fluid milk, and would pay a lower or processing price for all milk received in excess of that amount; and would pay the producers on the basis of the average price paid for all the milk delivered to them. As a result of this plan, producers who delivered milk to the smaller dealers received a better price than those who delivered to the larger operators; and these larger operators were subjected to such adverse criticism that a number of them refused to continue the plan and notified the association that they would reject all loads in excess of their fluid milk requirements. This excess milk threatened to become "homeless." To avoid the serious consequences that would result from an inability to sell the excess milk, the association entered into an agreement with the larger operators whereby they would accept all milk delivered to them "under an arrangement that payment for it should be made separately to the

association and not with the producer, at the price of milk used in the processing. The association then added to the money so received from its reserve fund a sufficient amount so that payments to the producers for certain percentages were made at the established rates for fluid milk in the higher classes and the balance at the prices paid for processed milk, the percentages being fixed by the directors according to the average of milk sold in the particular class throughout the state." Its reserve funds becoming depleted, in accordance with the authority granted by resolution of the stockholders, the Board of Directors then levied an assessment on a per hundredweight basis on all deliveries of milk, for the purpose of replenishing the reserve funds in order to continue the method of settlement just outlined; and in accordance with the terms of the contract with the dealers called upon the dealers to deduct and remit to it all assessments.

It was the primary contention of the producer-defendants that the assessments were invalid and in excess of the authority of the association.

The bylaws of the association provided:

> "The expenses of the Association, including such amounts as the Board of Directors may from time to time allocate to a reserve fund, and for other purposes incident to the proper conduct of the Association, including the advertising of milk, shall be met by an equal deduction per hundredweight on all milk marketing by the Association for its members. Said deduction shall not exceed three (3) cents per hundredweight, unless additional deductions are approved at an annual or a special meeting of the Association." (Underscoring added)

The court held that the association had the general power under the statutes under which it was incorporated, and under the provisions of its bylaws, to levy assessments and to create reserve funds; that although assessments of this character were not specifically authorized either by the incorporation statute or the bylaws, the assessments, which had been made in order to equalize the return to the members, were valid since they were reasonably necessary and incidental to the purposes for which the association was formed as set forth in the articles of incorporation; and that since the assessments were within the reasonable scope of the marketing agreements, the members, having signed the agreements were not in a position to attack them. Among other things the court said:

> "The purpose was to secure a fairer compensation for the members whose milk fell within the low percentage groups. The action taken seems quite in line with the system used for determining the amount of payments for the milk of any

> particular producer upon the basis not of the actual use made of that milk by the dealer, but of the percentage of all the pooled milk which was sold by him in the various classes."

It appears that the association was originally incorporated in 1917 as a joint stock corporation and that in 1924, following the enactment in Connecticut of a cooperative marketing act, the corporation took steps to bring itself under the cooperative marketing act. The producer-defendants claim that it was not authorized to do this but the court said that the defendants "who became and continued members of the corporation and took advantage of its corporate existence by entering into contracts for the sale of their products through it, cannot attack its corporate existence."

It was also urged that the effect of the assessments was to "interfere with the power of the milk control board to fix the minimum price which should be paid producers in the state for milk they sold" but the court held that "the assessments were charges which the members might have been obligated to pay after the receipt of the sums due for the milk they delivered; and the fact that the money was deducted by dealers from those sums before payments were made to the producers does not alter the legal situation." The court further said:

> "Regarded as a legally organized co-operative marketing corporation, and as exercising the powers which are granted to such a corporation by the statutes, its activities are not open to attack as being against the public policy of the state."

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